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TO : E/C [REDACTED] ✓
VIA Chief, E/ST [REDACTED]
FROM : [REDACTED]

DATE: 7 June 1955

SUBJECT: Review of Staff Study No. 11 - CFEP Drafting Group Paper, "Use of Inducements or Pressures on Free World Countries in Support of the US Economic Defense Program".

Staff Study No. 11 describes various techniques which might be employed by the US to induce other countries to cooperate in support of US economic defense objectives. The paper recommends using inducements rather than pressures but also lists types of pressures which might be exerted to further the program.

The report appears to outline a fairly complete list of techniques. It would have been interesting had the paper been expanded to include a discussion of possible alternative effects of taking the various actions and the difficulties to be expected in applying them.

In the summary of conclusions, eight techniques are listed as those which would be most advantageous to use. Six other types of actions are felt to be of less value. Among the latter is the category "Financial loans and grants". In the opinion of the writer insufficient emphasis was given to this category. The granting or withholding of financial loans for industrial purposes might be used very effectively as a lever in furtherance of economic defense objectives. Paragraph 14 of Appendix A is an excellent example of such use. These loans are usually for specific projects and full details of a project must be divulged upon application for the loan. This makes possible an assessment of the probable results of granting the loan so that conditions may be levied to prevent benefits from accruing to countries against whom economic defense measures are being directed.

With regard to paragraph 4 of Appendix A it might be pointed out that the problem of an alternative market for the borax might be more important than provision of an additional market for Turkish chromium or copper. The problem of alternative markets is not overlooked in the paper, however, as there is reference to this subject in the Conclusions.

With regard to the Administrative Action Program, it might be stated that administrative action is a precautionary action designed to discourage future diversionary activities on the part of foreign firms engaged in international trade. It is a pressure technique which is intended to be a corrective rather than punitive measure.

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